Multifoods

ROBIN HOOD MULTIFOODS LIMITED 1974 ANNUAL REPORT

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Robin Hood Multifoods

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About the Cover

Rosewood plaques depicting a variety of Robin Hood Multifoods brands create an attractive pattern for the cover photograph. At centre is the "Robin Hood" symbol representing Canada's largest-selling family flour, as well as consumer baking mixes, rolled oats and, to the bakery trade, quality bakery flours. Top left represents Coorsh specialty meats and delicatessen products; next to it is the symbol for Supersweet brand formula feeds and the top right plaque represents industrial bakery mixes. Other products shown include Bick's and Rose Brand pickles and relishes, Woodman's horseradish products, durum flour for pasta foods and, represented by the "K" symbol at bottom left, Kretschmer wheat germ cereal.

Five-year Comparative Summary

($000's omitted)

Fiscal year ended last day of February	1974	1973	1972	1971	1970
Net Sales	$161,673	$112,675	$104,792	$104,881	$ 98,781
Depreciation	1,330	1,029	860	1,003	944
Income Taxes	4,012	2,812	2,434	2,665	2,784
Net Earnings	5,089	3,004	2,697	2,387	2,178
Return on Sales (%)	3.1	2.7	2.6	2.3	2.2
Working Capital	$ 25,363	$ 23,420	$ 19,244	$ 16,324	$ 16,942
Total Assets	73,593	58,527	52,305	59,775	59,339
Return on Assets (%)	6.9	5.1	5.2	4.0	3.7
Number of Employees	2,000	1,860	1,500	1,550	1,530

Editor: C. J. Coon/**Design:** Pierre L'Africain/**Photography:** Jim Marvey, Tommy Thompson, Herb Nott, Barry McGee/**Printing:** Apex Press (1970) Ltd.

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Robin Hood Multifoods Limited, established in 1909 by International Multifoods Corp. of Minneapolis, Minn., is a diversified food processing company with executive offices at 6600 Côte des Neiges Rd., Montreal.

Despite Inflation

Real Growth Achieved By Multifoods

So many things fell into place last year that Logan Brown began to wonder what he could do for an encore.

Like when some significant gains were realized in the volatile commodity market. Or when stability returned to the family flour market after a strong challenge to Robin Hood's market leadership in the previous year. Or when Brown, president of Robin Hood Multifoods since 1969, was elected chairman of the Grocery Products Manufacturers of Canada.

There even may have been a fleeting moment or two after Brown learned the company's sales and earnings figures for the year — sales up 43% and earnings up 69% — that he might have asked himself, "Is this for real?"

But after considering the increased marketing penetration made by consumer products, the profit recovery exhibited by family and bakery flour, the continued growth of the bakery mix area plus the impact of higher ingredient costs, Brown knew indeed that 1974 was for real.

It was one of those years when — in spite of inflation — a lot of things go right, and the problem areas are few.

Flour Profit Recovery

The return to stability in the family flour business, for example, enabled Robin Hood Multifoods to recover from the depressed flour profits of recent years. In industrial foods, volume not only increased in durum and specialty bakery mixes, but margins also improved in these lines as well as in branded bakery flour — primarily as a result of better returns from by-products sales.

At year's end, the company had recorded sales of $161.7 million, compared with $112.7 in fiscal 1973, and net earnings of $5.1 million, compared with $3 million the year before.

Brown noted that about 65% of the sales increase resulted from the passing along of ingredient cost increases; still, he said, gross margins declined by more than 1%.

And while the improved profit picture represented a recovery from the "less than satisfactory" years of 1971-72, net profits were only 3.1 cents of each sales dollar.

"From each sales dollar, 64.6 cents was paid out to farmers and ingredient suppliers, another 12 cents went to employees for salaries and wages and 3.5 cents was paid out to government in taxes," Brown said. The remaining 16.8 cents went for operating expenses, packaging, advertising and other costs of doing business.

The return on assets at 6.9%, he said, represents "marginal performance" in view of the company's obligation to provide funds for reinvestment in the business and a satisfactory return to shareholders.

One of the major reasons for the company's improvement was the performance of its consumer products group which accounts for about 40% of Robin Hood Multifoods sales. Robin Hood flour and its leading share of the market made a major contribution.

Logan R. Brown, *president of Robin Hood Multifoods, was elected Chairman of the Grocery Products Manufacturers of Canada at the annual meeting in Vancouver, March 27.*

GPMC represents 82 food, detergent and paper products companies — accounting for about 75% of Canada's annual grocery products sales of $9 billion — in the industry's relations with government, grocery retailers and consumer groups.

Line extensions in consumer specialty mixes proved very successful, Brown said, noting that new flavours of icing mixes and cake mixes were all well received. Besides the seven line extensions in that area, there were another four extension products in the Bick's glassgoods area, he said.

Larger Pickle Plant

Bick's, which has approximately 45% of the Canadian pickle market, plans to increase its packing capacity this year with construction of a fourth production line. The 11,000-square-foot addition to its Dunnville, Ontario plant is expected to increase production by 25%, Brown said.

Three major new products were also introduced during the year. The three — "Panhandle Pete's" quick pan meal mix, "Somethin' Else", and "Toast n' Spread" — are directed towards the convenience-minded consumer. "Somethin' Else", for example, is billed as a new kind of side-dish which can serve as an alternative to potatoes. It consists of bread crumbs, vegetables and seasonings.

Brown said the products haven't been on the market long enough to get an accurate reading of their future, but that preliminary data confirms their potential. A substantial investment in new product marketing was made during the year — "more than double what we've ever invested before," Brown said, noting that both radio and television are being used to promote the products.

A Disappointment

One area in which Brown admits "some disappointment" was the Stouffer's frozen foods line. For although sales increased substantially, the operation did not make the kind of progress toward profitability originally anticipated.

Fiscal 1974 was the first full year of national distribution for Stouffer's frozen prepared foods, and Brown said he believes a lot was accomplished in terms of market penetration, distribution and awareness of product. "We built a good base from which to grow," he said. "We continue to have ambitious objectives in this area."

Another area which also recorded substantial sales increases but failed to make the kind of profit contribution anticipated was the Coorsh specialty meat products. Brown said that he is hopeful the market will stabilize and thus provide a more suitable climate for growth.

One addition to Robin Hood's milling operation during the year was the installation of an oat milling unit to the Saskatoon, Sask., plant.

The decision to return to oat milling was made after an agreement for co-packing oats to Robin Hood's specifications was terminated. "We're not expecting a tremendous increase in

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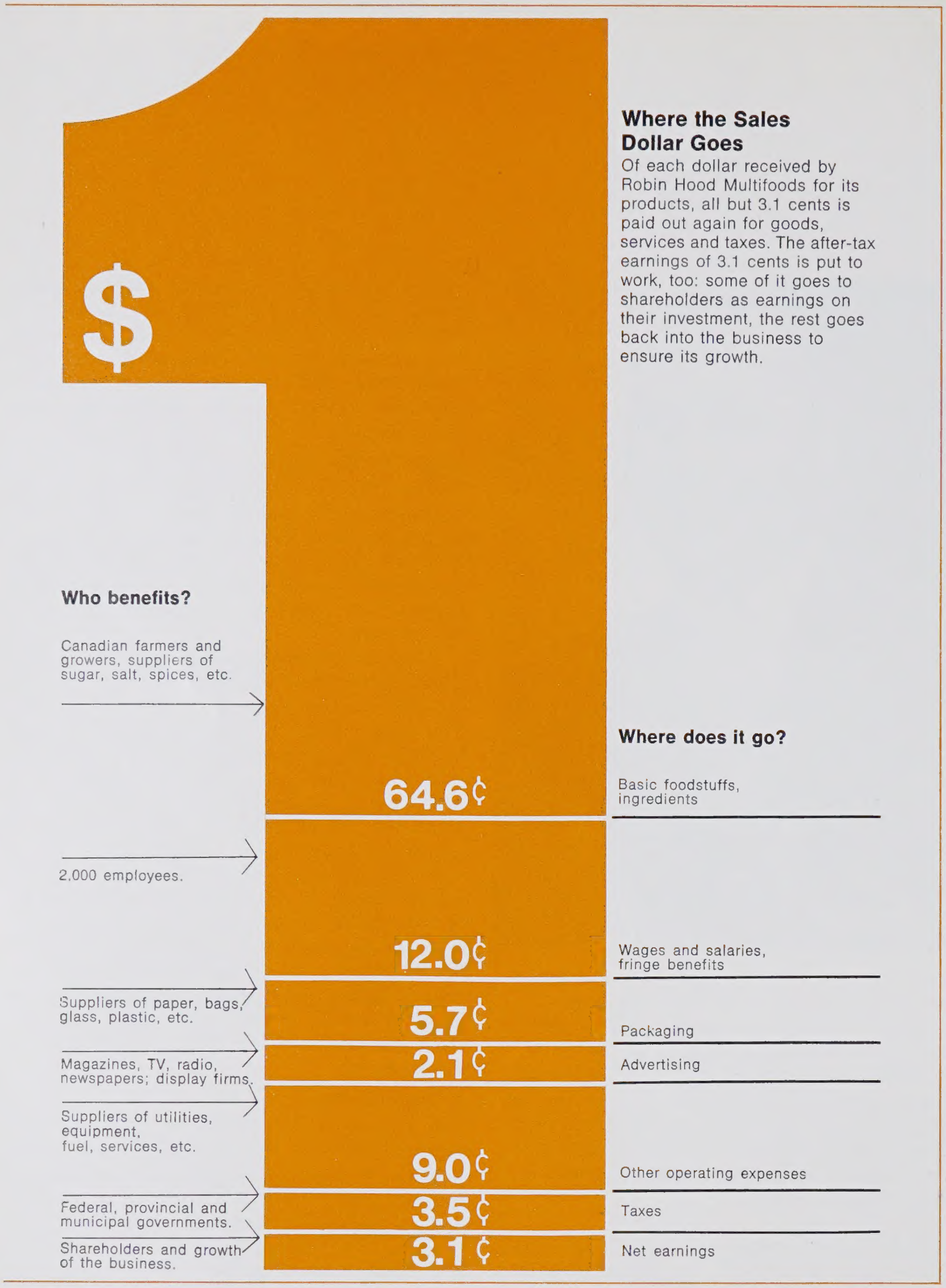

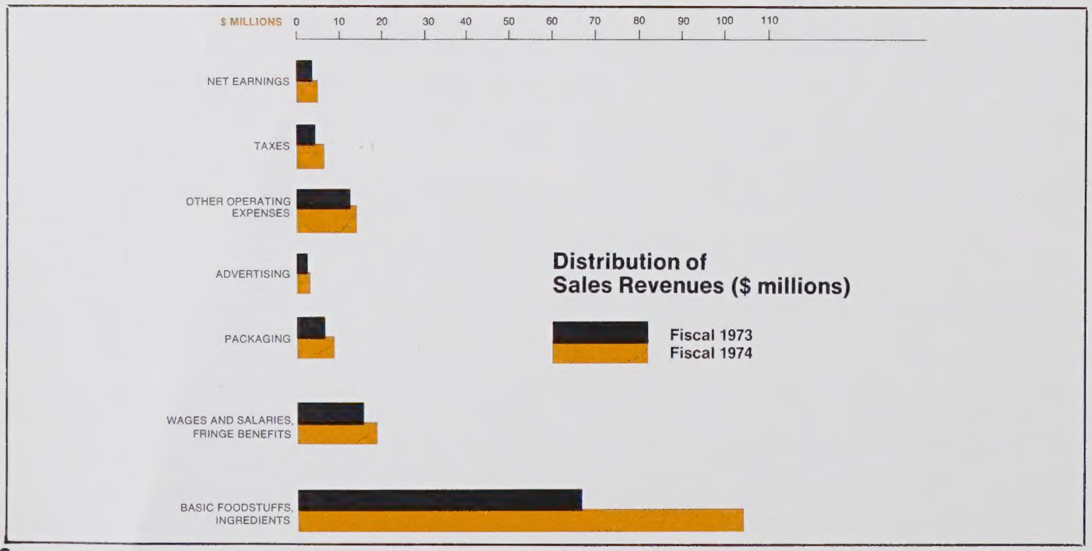

this market, but oats are the base of a nutrition-minded market which is certain to grow, particularly pre-cooked flavoured oats such as our Sugar Sweet Robin-O currently being marketed in Ontario" Brown said.

Strong Performance

The Industrial Foods division contributed significantly to sales and earnings, as the division had its best year ever. The division accounts for about 40% of Robin Hood Multifoods' sales.

A major reason for the division's strong performance was the bakery mix area, which continued the 20 to 30% growth rate of the past few years, Brown said. Fifteen new bakery mix items were introduced during the year, bringing to over 50 the number of items introduced by Robin Hood since entering this market about five years ago.

Bakery mix was expanded during the year with the acquisition of the fixed assets and inventories of a bakery mix, equipment and supplies business from Consolidated Foods Corporation of Chicago.

Feeds, Eggs Improve

The agricultural products area, which accounts for about 20% of the company's sales, also showed profit gains, with both formula feeds and eggs improving significantly. With the development of provincially-controlled agricultural marketing boards, a stability has become part of the egg market which heretofore was rare, Brown said.

Brown indicated some disappointment in the poultry meat processing business, primarily because of high feed costs. These were reflected in live bird costs which could not be recaptured in selling prices. "I believe this is just a temporary thing, because chicken represents an excellent food value," he said.

While fiscal 1975 is not likely to be as dramatically different as fiscal 1974 was from the previous 12 months, Brown is still looking forward to a very good year. With energy sources in ample supply and no recession on the horizon, Canada is anticipating a year of 5% real growth, Brown said.

"I think Robin Hood can expect significant sales growth, perhaps not as much as last year, but it will be respectable," Brown said. "Pressures from rising costs and material scarcities will present a challenge to industry profits, but Robin Hood Multifoods' future continues to look bright."

Consumer Prices

Turning to consumer food prices, Brown said he believed they would not rise as quickly as they did last year. "A lot depends on this year's crops," said Brown who was chairman of a food industry committee for the Economic Council of Canada Outlook Conference last fall.

"Right now prospects look good for increased supplies of grains and other raw foods this fall which would help ease pressures on prices." However, he pointed out, the food processing industry still faces upwards pressures from rising fuel, packaging and labour costs, material shortages and "the very legitimate demands from farmers for a better return for their investment."

Food still represents good value, Brown said, even if it does require a higher proportion of the disposable income of Canadians.

More ups than downs for the many businesses of Multifoods

As a "multifoods" company, Robin Hood Multifoods engages in many different food-related businesses. These are broadly grouped into three divisions corresponding to the market served — Consumer, Industrial or Agricultural.

Here the general managers of the three operating divisions discuss how each segment of his business responsibility fared during the past year.

Consumer Products

Dave Tompkins was enthusiastic about last year's Consumer Products division results. "Most of our products made good gains over the previous year and it was the first year in which the Coorsh specialty meat products contributed a full year's results," he said.

Coorsh meat products, which became part of Multifoods during the latter half of the previous year, together with family flour and glassgoods account for more than 80% of the company's consumer products sales. Volume of each of the three product categories was about equal. Baking mixes, frozen foods and cereals account for the balance.

Consumer Products Division

David C. Tompkins,
vice-president & general manager

"Overall, net sales of consumer products exceeded plans," Tompkins pointed out. "Our margins were squeezed somewhat by rising raw material costs, as we did not pass through to the consumer the complete effects of these increases." Principal offenders in the cost rise were wheat, sugar and beef.

"While our Stouffer's frozen prepared foods had their first full year in national distribution, volumes were less than anticipated," Tompkins said. However, distribution of the frozen food line expanded and an aggressive advertising campaign was launched recently to encourage trial of the premium quality products.

The glassgoods business grew at a faster pace than last year with all pickle and relish products sharing in the growth.

The Coorsh specialty meat business did well, with market expansion in Ontario and the Maritimes. S. Coorsh & Sons Ltd., the Multifoods subsidiary, has strengthened its marketing function and plans to introduce the full line of Coorsh products to the Western Canadian market.

"We are gearing ourselves for the rapid changes taking place in the market place," he said pointing to a task force study of the division's sales organization and preparation for entry into the food service market by Stouffer's frozen prepared foods.

The sales task force is looking into better utilization of the sales and marketing skills which are now divided among four separate sales organizations — specialty meats, frozen foods, glassgoods and dry grocery products.

Stouffer's frozen foods were introduced to the hotel, restaurant and institutional trade at the annual Canadian Restaurant Association exhibitions in Montreal and Toronto this spring. Eleven products are being prepared in special packs for this food service market.

The consumer products "mix" has broadened, too. "We are truly a 'multifoods' company with products that appeal to a wide segment of consumers — from flour, a basic ingredient food, to frozen prepared entrees, ready for the oven.

"We feel we're in a good position to fulfill the changing needs of the Canadian consumer," he said.

Industrial Foods

"The year was an excellent one for bakery and industrial food sales," said John Morrison, "despite some market turmoil last summer when the government removed controls from wheat prices," (see separate story).

He gave credit to an aggressive booking program which helped bakers keep some control over rising prices in July-August, "excellent" growth in bakery mixes and increased demand for durum flour for pasta production.

The flour-booking program was a key factor in helping bakers control costs when the government removed wheat price controls, tying the price to the world price which was then rising rapidly. The program enabled bakers to cover their flour requirements to the end of the following month at the booking date price.

The growth in the bakery mix business, Morrison said, came largely from the time and labour-saving advantages of using mixes vs. "scratch" baking plus Multifoods' continuing new product development program. The company introduced 15 new mixes and bases under the "Robin Hood" label and developed nine new custom formulations for individual customers as well.

Industrial Foods Division

John B. Morrison,
vice-president & general manager

Durum flour sales were up over the previous year when volumes sagged with the entry of two new durum millers into the market. Morrison attributed the increase in pasta production

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to a growing consumer interest in spaghetti, macaroni and other pastas as a source of protein.

Even the export business, which has been facing a long-term decline as former export markets dried up, did well.

Despite lower flour volumes and the closure of the United Kingdom market during the second-half of the year because of price controls in Britain, higher margins helped brighten the export picture.

A highlight of the year was the acquisition in December of the assets of the Toronto-based Joe Lowe Co., bakery mix and equipment business and the McKenzie-Stephenson bakery mix, supplies and equipment distribution business in Western Canada.

"By merging the strengths of the new businesses with our own capabilities, we have placed the bakery products business on a much sounder footing," Morrison said.

As a result of the Joe Lowe purchase, Multifoods now has a modern bakery mix plant in Toronto, greater technical skills, and a stronger base for its equipment business. The McKenzie-Stephenson purchase brought Multifoods into the bakery supplies business and provided a broader business base in Western Canada.

The Joe Lowe purchase, coming near the end of the fiscal year, had little impact on the full year's results.

"With a number of new development projects under way, we will be continuing our expansion of services to the bakery and industrial foods markets in the future," Morrison said.

Agri-Products Division

Douglas R. Payne,
vice-president & general manager

Agri-Products

"Last year we said the Agri-Products division had its best year on record," recalled division general manager Doug Payne. "This year was even better."

With rising agricultural prices, all segments of the business demonstrated improved performance — with one exception. "That was Sherwood Farms, our poultry processing business," Payne said. "During the second half of the year, the industry was caught between falling demand for chicken and high live bird prices."

Profits on Supersweet Feeds improved even though volumes remained flat. Payne attributed the improved performance to well-managed commodity buying in a period of fast-rising protein prices and a shift towards higher-margin supplement feeds.

"Since one ton of supplement is equivalent to four tons of complete feed, we were actually feeding more animals even though our tonnage remained the same as last year, "explained Payne.

He said the year brought an improvement to the agricultural climate as farmers earned better returns and livestock numbers increased moderately in the markets served by Supersweet — Ontario, Quebec and Newfoundland.

An organizational change during the year brought Supersweet's decision-making closer to the feed customer.

Management of the Supersweet business was decentralized with a general manager for Ontario based in Stratford and a general manager for Quebec in Quebec City. Each general manager is responsible for production, credit and sales in each province and draws on such centralized services in Montreal as procurement and nutrition.

As for the chick and egg segment of the business, it was an "excellent" year. Neuhauser's two hatcheries produced 9.5 million layer and broiler chicks and egg production was up.

The "rate of lay" per hen increased over last year, helping to offset the impact of quotas imposed by the marketing boards. The egg marketing boards' action had a positive impact on egg prices, Payne said.

In Ontario, where Sherwood Farms poultry meat business operates, the poultry marketing board kept live bird prices in line with high feed prices. In October, red meat prices began to fall and the gap between red meat and poultry meat prices narrowed.

The result was tumbling chicken prices while the live bird costs remained high. "For a couple of months, most of the industry was selling chicken at a loss," Payne said.

Recently, with lower feed costs, live bird prices have dropped a bit to help ease the situation.

As suppliers to the agricultural industry and users of basic agricultural commodities, agri-products is still a cyclical business.

"We're a long way from eliminating the extremes in supply and demand for agricultural products," said Payne, "but generally speaking the marketing boards have been successful in eliminating the worst effects of the supply-demand cycle."

One of a series of Kretschmer Wheat Germ ads appearing in Toronto and Hamilton daily newspapers in May, 1973.

A Continuing Dialogue for Over 25 Years

"Consumerism" is today's fashionable word for the growing interest consumers have in the products they buy and the companies that produce them.

And the response by industry has been to set up "consumer relations" departments to open a channel for consumers who want more information or who may have complaints about product performance.

But at Robin Hood Multifoods, the company has held a continuing dialogue with consumers for more than 25 years, through the Robin Hood Kitchens.

More than 1,000 phone calls and letters from consumers pour into the Montreal test kitchens each week. "Most of them, "says Vivian Merrill, director of the Kitchens, "want recipes, but we also get requests for party ideas, questions about special diets, nutritional content of specific products and requests for help with baking problems.

"We pay especially careful attention to occasional complaints about poor product performance," says Vivian. She and her staff try to answer every letter within 48 hours of receiving it.

"If people have complaints, we much prefer to hear about them," says Vivian. "It gives us a chance to find out what went wrong and to explain to the consumer. We always refund her money or replace the product, even though the problem, more often than not, originates after the package leaves our company's warehouse."

Source of Problems

Most common problems arise from improper storage of the product.

Failure to follow package directions or lack of proper kitchen equipment are at the root of most baking failures, says Vivian. "A cake recipe may call for solid shortening and the homemaker will use a liquid shortening. That's enough to make the difference between success and failure. Or the oven may be as much as 50 degrees hotter or cooler than the temperature gauge indicates. That's another common cause of failure."

The Robin Hood Kitchens are responsible for product use directions and recipes on all dry grocery product packages and on Stouffer's frozen prepared food items.

"We feel we represent the consumer when package illustrations are made, too," says Vivian. A Kitchen's staff member is always present when a dish is photographed for a package to ensure that it truly represents what the package contents are capable of producing.

Vivian is a graduate home economist from Macdonald College, McGill University and is a member of the Quebec and Canadian Dietetic Associations and the Montreal and Canadian Home Economics Associations.

When she started with the company in 1960, "we signed our letters to consumers with the bilingual name 'Rita Martin.' But we dropped 'Rita' about five years ago because we felt it was no longer appropriate to use a pseudonym."

How has consumer mail changed in the past three or four years?

"Well, first of all, we're getting more mail because we have more products. We find a more skeptical attitude creeping into some letters, a reflection I suppose of a more aggressive attitude on the part of consumers. And we're getting more questions about packaging, premiums and coupons."

Vivian is pleased that she has received only two complaints from Box 99, the consumer service set up by the federal department of consumer and corporate affairs about three years ago.

"It's encouraging to see that the vast majority of homemakers contact the manufacturer first," she says.

Developing New Products

The Kitchens' staff also participates in the development of new products, preparing prototypes for recipes to be developed by the research and development people. Often products are taste-tested in the Kitchens and compared with competitive products or the home-made version.

"Every packaged product we sell has been tested in the Kitchens and every recipe on a package, leaflet or booklet has been tried out here," says Vivian.

Vivian and her staff are never far removed from the food-preparation work faced by all homemakers. But she has the advantage of also working closely with specialists in the Technical Centre, as well as production and marketing areas, a combination that helps keep Robin Hood Multifoods in personal communication with thousands of consumers every year.

PRICES

What Happened to Flour in 1973

Rising food prices start with rising prices of raw foodstuffs. While most such increases resulted from shortages caused by poor crops, the price of one vital basic food — wheat — shot up when the Canadian government decided to "unfreeze" existing price controls.

Government controls were later re-applied but at a higher level. Here is the chronology of what happened:

Prior to July, 1973: Canadian flour millers had been paying \$1.95½ per bushel for top-grade wheat (14% protein) since November, 1969. Farmers received \$3, the difference being a government subsidy of \$1.04½.

July 20, 1973: The government "unfroze" wheat prices tying them to rising export (world) prices and reducing the subsidy to \$1 a bushel. The July 20 price for the millers jumped to \$2.62 a bushel, \$1 below world price.

Since wheat is the major part of flour costs, flour prices increased as rising wheat costs were "passed through."

August 20, 1973: A month later, world prices had reached \$5.64 and Canadian millers were paying \$4.62, more than double the price of a few weeks earlier.

Even worse was the durum wheat price situation. It had been the same price as milling wheat in early July; now it had reached \$7.98 a bushel.

Sept. 12, 1973: The government was forced to step in again, rolling back wheat prices. The domestic milling wheat price was frozen at \$3.25 a bushel (13.5% protein), durum at \$5.75 a bushel and farmers received a \$1.75 a bushel subsidy. Still, milling wheat was up by 50% over the early July price and durum wheat had doubled in price.

RESULT: Higher wheat costs translated into higher flour costs resulting in increases in bread, baked goods and pasta prices. Other products containing flour, such as cake and baking mixes, also increased in price.

TODAY: Wheat prices are frozen until August 1, 1980. There's no guarantee, though, that flour prices won't rise in the next six years. Increases in labor costs, packaging, transportation, fuel and other operating costs could well force flour price increases between now and 1980.

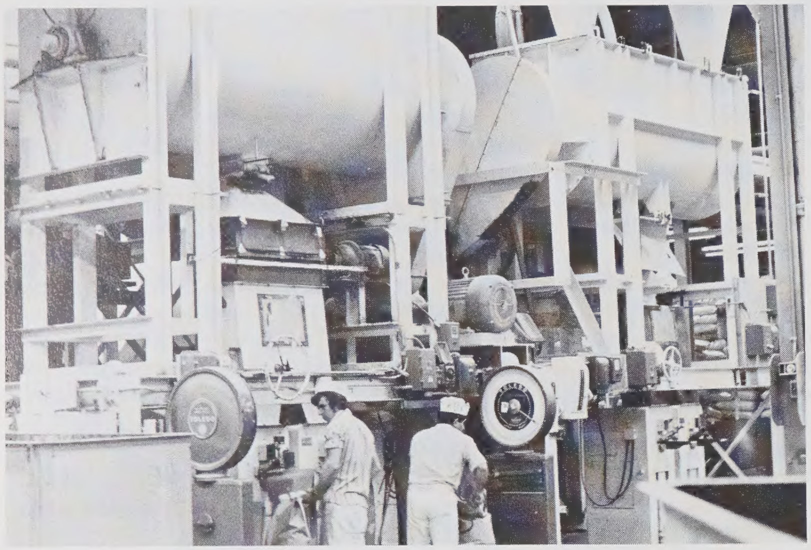
Over $1 Million Invested for Expansion

Physical expansion of Robin Hood Multifoods last year took the form of a new oat milling plant built at the company's Saskatoon location and the purchase of a bakery mix, supplies and equipment business with a plant in Toronto.

Investment in the two projects was well in excess of $1 million. The new oat mill represented a return to rolled oat production for the company which had contracted out its oat requirements since 1967. Built at its Saskatoon flour mill, the oat milling unit produces Robin Hood "Quick" and "Instant" Oats and a new ready-to-serve oatmeal product, "Sugar Sweet Robin-O."

The bakery supply business was purchased from Consolidated Foods Corp. of Chicago. It consisted of the fixed assets and inventories of Joe Lowe Co., a supplier of bakery mixes and equipment in Eastern Canada, and McKenzie-Stephenson (Western) Ltd. of Vancouver, a distributor of bakery mixes, equipment and supplies in the West.

The acquisition strengthened Multifoods' own bakery mix, equipment and flour business by adding a major production facility and providing an entry into the bakery supplies business — commercial bakery utensils and ingredients. The Toronto plant, one of the most modern bakery mix units in Canada, also has facilities for repair and renovation of bakery equipment.



Mixing two tons of ingredients at a time, these are two of the ten mixers in the Toronto bakery mix plant acquired with the purchase of the assets of Joe Lowe Co. One of the most modern of its kind, the plant also houses facilities for repair and maintenance of bakery equipment.

Quick Quiz

Before reading further, check your knowledge of Robin Hood Multifoods here. How much do you know about the company and its activities? (answers below)

1. From each sales dollar last year, how much was left as net earnings after taxes and expenses?
2. What is the brand name of the company's new quick pan meal mix?
3. When was Robin Hood Multifoods founded?
4. Last year, the company constructed a new production facility. What kind of plant is it and where was it built?
5. How many students worked last summer at the Dunnville pickle plant?
6. When did the government "unfreeze" the domestic price of wheat?
7. For what new market are Stouffer's frozen prepared foods being readied?
8. What percentage of the company's total business is accounted for by Industrial Foods?
9. What is the name of the company that operates Multifoods' specialty meat business?
10. How many calls and letters do the Robin Hood Kitchens receive each week from consumers?

Answers

1. 3.1 cents **2.** Panhandle Pete **3.** 1909 **4.** an oat mill at Saskatoon **5.** about 300 **6.** July 20, 1973 **7.** the food service market — hotels, restaurants and institutions **8.** 40% **9.** S. Coorsh & Sons **10.** about 1,000.

You add the wieners and we'll add a dollar to sweeten the pot.

Like the Panhandle Pete pack says, just add wieners and you've got yourself a mouthwatering meal. But add Coorsh wieners or Coorsh all beef franks and you've got yourself a dollar. You see, we don't want you to try Panhandle Pete with just any wieners. We want to make sure you try it with the best wieners money can buy. Panhandle Pete comes in four hearty flavours: Old Style Beans, Macaroni and Cheese, Potatoes and Peas and Tomato Rice. But no matter which you choose you can whip up a delicious meal in about 20 minutes in a single frying pan.

$1.00

Just send us the box tops from any two packages of Panhandle Pete and the wrappers from two one-pound packs of Coorsh all beef frankfurts or wieners and we'll send you a dollar. Please allow three weeks for refund. Offer expires August 31, 1974.

Mail to: $1.00 Refund Offer,
P.O. Box 6312,
Montreal, Quebec H3C 3L2.

NAME

ADDRESS CITY

ZONE PROV. TEL.

This ad for Panhandle Pete and Coorsh all-beef frankfurters appeared in Montreal and Ottawa daily newspapers in February, 1974.

FUTURE TRENDS

"Super" Stores Essential for Profitable Survival of Grocery Retailers

by F. Maurice Shore

Last year Canadians spent more than $8.8 billion in the nation's food stores.

It was a lot of money, nearly 12% more than in 1972, the increase almost wholly accounted for by higher prices. There was a conspicuous lack of happiness among consumers, and this was further exacerbated by irresponsible statements made by certain politicians and others, suggesting that the supermarket industry was largely to blame.

Few people outside the industry have been able to understand that the inflationary process, further aggravated this past year by world market conditions, has created frustrations for supermarket and grocery store operators equal to those of consumers themselves.

A brief look at the record explains.

In late 1970, and through most of 1971, price competition among the major chain stores became so severe that the government Food Price Index actually declined while everything else was rising. Almost all food stores had to reduce their operating margins and their costs to remain competitive. Several of the chains started closing down scores of less profitable locations.

Food prices were low enough to hold down the over-all cost-of-living index, but governments were more inclined to credit various "anti-inflation" measures, while media and consumerists paid little attention, or termed the price war "phony".

Costs Still Rising

Meantime, merchandise costs were rising, and the supermarkets' unionized store staffs were seeking and getting larger wage settlements. The industry was no longer able to keep the lid on price levels, and they have been rising ever since.

And the end is not in sight. For even if the rising cost of merchandise slows down, the rising cost of fuel, transportation and other essentials of food distribution and retailing have yet to make themselves fully evident. Meanwhile, retail unions are seeking larger wage increases covering this year and next.

The industry's "high political profile" has become still more prominent. Yet not one of the many government investigations, by House Committees, government branches, or, more recently, by the Food Prices Review Board, has been able to disclose anything to suggest either excess profit or noticeable inefficiencies.

While the squeeze on profit has diminished somewhat from the severity of the price war months, it has not abated. Competition continues keen, costs continue to escalate, and retailers find it difficult to keep shelf prices in line with rising merchandise costs, and rising operating costs.

Net profit, after all expense, continues to hover around 1 cent per dollar of sales, with many stores making less than that.

Among the chains, the word is out that profitable survival will require still more economies of scale, spreading costs over a still larger volume, a still wider range of non-food products, in order to sustain the industry's ability to bring basic foods to the nation at price levels which may be considered stable when viewed in relation to trends of average consumer income.

The word is out, and it's starting to happen: In Laval, Que., a new concept by the Oshawa Group called the Hypermarché, a store the size of two football fields; nearby, just opened by Steinberg's, another about two-thirds that size; in cities elsewhere, stores of up to 50,000 square feet or more to replace the many smaller stores either closed or scheduled to close. These are the "Super Stores," said to be the chain grocery store of the future. They offer, in addition to foods, a full range of what are generally considered "routine shopping requirements."

Food will always be the drawing card in these stores, sold as cheaply as the economics of store operation will allow.

Along with the economies of sheer volume, the chains are now working toward additional economies made possible by the new technologies in food handling.

Manufacturers have been asked to develop a Universal Product Code to be printed on every item sold through food stores. This industry program is now well under way. Retailers' cash registers will be computerized, capable of scanning the code and ringing up the price automatically. Prices will appear on the shelf, but not on the package. Stores will be spared the labor cost of price-marking every item (store computers will be programmed for this) and cashiers will check through more items faster, saving time for both the store and customer.

With larger stores, and coded merchandise which needs no in-store unpacking and pricing, chains envisage shipment of merchandise in large display containers direct from manufacturer to store selling locations. The store would be the warehouse, and warehousing and distribution costs would be reduced.

Less Price Conscious

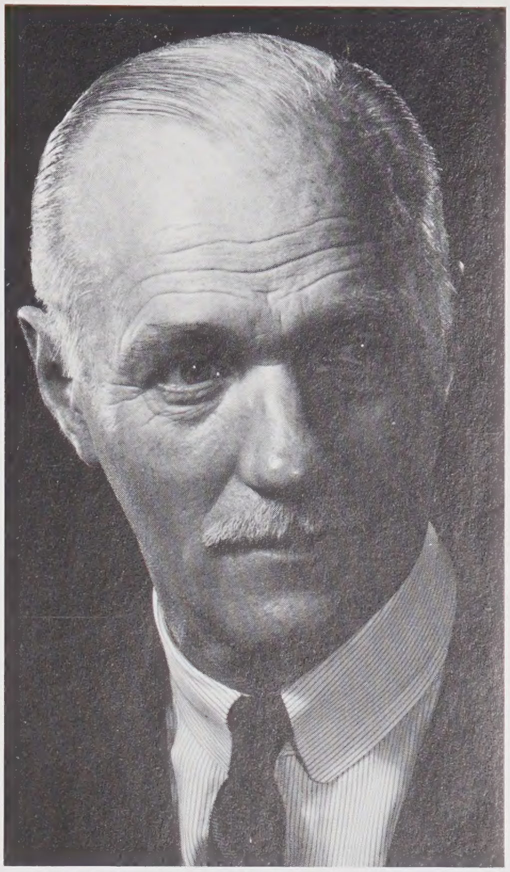
If it all sounds as through Canadian supermarket operators are so anxious to reduce costs, and hold the price line, that they are forgetting the needs of their less price conscious customers, or special customers, nothing could be farther from the truth.

Delicatessen departments, hostess departments, in-store bakeries, service meat counters, gourmet sections, and a good part of the frozen food departments, will continue to cater to those who put convenience, premium quality, or exclusiveness above price savings otherwise available.

And why not? The burgeoning trend towards more dining out has eaten into supermarket sales and profit to a considerable degree. In 1973, restaurant sales exceeded $1.5 billion. But restaurants prices, too, have been rising rapidly, and overall sales have not kept pace with this rate of increase. There's little doubt that more people are now entertaining at home. There has certainly been a resurgence of interest in gourmet cooking.

Food stores are now able to capitalize on this trend by offering chef-quality convenience dishes and specialties which not only help to solve sales and profit problems for stores, but preparation problems for their customers. More manufacturers (Robin Hood Multifoods is one) are now offering a broader range of products to meet this present and future need. Retailers are providing more display space for them in newer and larger stores, and in smaller independent stores and supermarkets catering to the special needs of their own trading areas.

To sum up: despite political and other distractions, Canadian food retailers are ploughing ahead with their plans, working with their suppliers to find new ways to provide Canadians with a wider choice of products to meet their present and future needs; and to hold prices of essential food products at lowest possible levels.



***F. Maurice Shore** is Editor-Publisher of Canadian Grocer magazine. A veteran observer and reporter of the grocery distribution scene, he is a graduate of University of Western Ontario (Business Administration, '35) and has edited the country's leading grocery business magazine since 1954.*

Five students from Ontario and Quebec universities received a crash course in selling last summer from a company sales trainer (centre). Their summer job was to call on supermarkets in support of the regular Stouffer's frozen food sales force.

FOR STUDENTS

500 Summer Jobs and Much More

Through a number of different programs, Robin Hood Multifoods is helping high school and university students with their education, both inside and outside the classroom.

The company provides summer jobs for some 500 students at its various processing plants. The majority of these are hired at the two pickle plants in Scarborough and Dunnville, Ont. where cucumbers and other vegetables are "fresh-packed" within 24 hours of harvesting during the summer months.

The Dunnville plant hires about 300 students from the town and nearby Port Colborne and Welland. Special buses provide transportation to the plant for out-of-town students.

In Toronto last year, five university students were hired as salesmen. After a crash course in selling Stouffer's frozen prepared foods, they called on supermarkets throughout Ontario and in Montreal to augment the regular sales force.

The company co-operates with a Montreal school board to provide work experience for high school commercial students. This spring six students from Northmount High School tested their secretarial skills during two-week "work study" assignments with specific Montreal office departments.

The company is also participating in the Université de Sherbrooke's co-operative program. A student from the mathematics faculty is working for four-month periods in the company's Montreal data-processing department and attending classes during alternate four-month segments.

Students who are sons and daughters of company employees compete each year for scholarships to study at a university of their choice. This spring four $700 awards will be made by a selection committee composed of Montreal-area educators.

The company also supports organizations which seek to create better understanding between students of different language and ethnic backgrounds through student exchange programs.

In addition, the company supports university building and renewal projects. In the last five years, Multifoods has contributed close to $50,000 to 19 different universities across Canada.

Introducing a new line of muffin mixes to bakers, this ad appeared in Food in Canada and Bakers Journal, January, 1974.

NEW PRODUCTS

50 Debuts Last Year

New products — and variations of existing lines — introduced last year range from Bick's salads-in-a-jar to Somethin' Else, a side dish made from toasted bread crumbs — over 50 items, all told.

GLASSGOODS: Bick's Old-fashioned Bean Trio Salad . . . Bick's Cole Slaw Style Vegetable Salad . . . Bick's Genuine Dill Pickles . . . Rose Brand Pickled Beets.

DRY GROCERY PRODUCTS: Somethin' Else, toasted bread crumbs and seasonings (two flavours) . . . Toast 'n Spread, hot snack spread (four flavours) . . . Panhandle Pete's quick pan meal mix (four varieties) . . . Robin Hood cherry, lemon and fudge icing mixes . . . Robin Hood cherry and lemon cake mixes . . . Robin Hood cherry and lemon angel food swirl mixes . . . Sugar Sweet Robin-O ready-to-eat oatmeal (three flavours).

FROZEN FOODS: Stouffer's Lasagna . . . Stouffer's Chicken Divan . . . Stouffer's Turkey Tetrazzini . . . Stouffer's Corn Soufflé.

COORSH DELI PRODUCTS: Coorsh Pickled Polish Sausage . . . Coorsh Grape Parfait Dessert . . . Coorsh Vacuum-packed Smoked Steak Pieces (for restaurants).

INDUSTRIAL BAKERY MIXES: Robin Hood muffin mixes (three varieties) . . . Robin Hood jelly roll mixes (two flavours) . . . Robin Hood bread mixes (two varieties) . . . Robin Hood angel food and English muffin bases . . . Robin Hood soft roll mix . . . Robin Hood doughnut and eclair mixes (four varieties) . . . Robin Hood honey glaze . . . plus nine custom-formulated mixes and bases.

Statement of Consolidated Earnings

Year ended February 28, 1974 with comparative figures for 1973

	1974	1973
Net sales	**$161,672,829**	112,675,047
Costs and expenses, net:	32334656	
Cost of sales	**135,807,313**	93,148,308
Selling, general and administrative expenses	**16,401,380**	13,773,662
Interest expense, including interest on long-term debt $466,453 (1973, $126,685)	**1,282,363**	606,978
Interest and other income, net	**(918,984)**	(669,987)
Total	**152,572,072**	106,858,961
Earnings before income taxes	**9,100,757**	5,816,086
Income taxes including deferred taxes $487,274 (1973, $360,636)	**4,012,074**	2,812,276
Net earnings	**$ 5,088,683**	3,003,810

See accompanying statement of accounting policies and notes to consolidated financial statements.

Statement of Consolidated Retained Earnings

Year ended February 28, 1974 with comparative figures for 1973

	1974	1973
Retained earnings at beginning of year	**$ 35,575,155**	33,249,345
Net earnings	**5,088,683**	3,003,810
Dividends paid	**(2,060,000)**	(678,000)
Retained earnings at end of year	**$ 38,603,838**	35,575,155

See accompanying statement of accounting policies and notes to consolidated financial statements.

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Robin Hood Multifoods Limited and subsidiaries as of February 28, 1974 and the related statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Robin Hood Multifoods Limited and subsidiaries at February 28, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Que.
March 26, 1974

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Balance Sheet

February 28, 1974 with comparative figures for 1973

ASSETS	1974	1973
Current assets:		
Cash	$ 18,573	1,062,070
Accounts and notes receivable, less allowance for doubtful receivables $390,546 (1973, $204,874)	17,626,070	11,852,741
Due from parent company	501,006	—
Advances to suppliers	44,949	48,854
Inventories:		
Grain	11,182,208	7,378,063
Other raw materials	4,703,977	3,270,252
Finished and in process goods	13,480,571	10,855,999
Packages and supplies	2,099,466	1,226,874
Total inventories	31,466,222	22,731,188
Prepaid expenses	603,100	498,135
Total current assets	50,259,920	36,192,988
Investments and sundry assets	196,183	83,305
Noncurrent receivables, less allowance for doubtful receivables $33,443 (1973, $42,371)	274,025	335,597
Property, plant and equipment, at cost:		
Land	655,637	655,962
Buildings and improvements	10,981,617	10,338,029
Machinery and equipment	17,712,433	16,644,860
Automobiles, trucks, etc.	429,405	448,122
Improvements in progress (note 2)	960,299	851,334
	30,739,391	28,938,307
Less accumulated depreciation	14,597,830	13,588,687
Net property, plant and equipment	16,141,561	15,349,620
Intangibles	6,721,339	6,565,230
	$ 73,593,028	58,526,740

See accompanying statement of accounting policies and notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1974	1973
Current liabilities:		
Notes payable	$ 9,590,300	3,643,640
Current portion of long-term debt	569,907	570,980
Accounts payable	11,698,787	6,743,935
Accrued expenses	1,348,889	879,779
Income taxes	1,534,832	682,623
Due to parent company	—	251,623
Due to affiliated company	153,932	—
Total current liabilities	24,896,647	12,772,580
Long-term debt, less amounts included in current liabilities (note 1)	4,601,218	5,181,625
Deferred income taxes	2,852,100	2,364,826
Other noncurrent liabilities	45,796	39,125
Shareholders' equity:		
Common shares without par value. Authorized 6,000 shares; issued 1,000 shares at stated value	1,273,300	1,273,300
Contributed surplus	1,320,129	1,320,129
Retained earnings	38,603,838	35,575,155
Total shareholders' equity	41,197,267	38,168,584
Commitments and contingencies (notes 2 and 3)		
	$ 73,593,028	58,526,740

On behalf of the Board:

LOGAN R. BROWN, *Director.*

J. McMILLAN, *Director.*

Statement of Changes in Consolidated Financial Position

Year ended February 28, 1974 with comparative figures for 1973

	1974	1973
Funds provided:		
From operations:		
Net earnings	$ 5,088,683	3,003,810
Charges to earnings not requiring working capital:		
Depreciation	1,330,230	1,029,388
Deferred income taxes	487,274	360,636
Other, net	22,959	20,924
Total from operations	6,929,146	4,414,758
Increase in long-term debt	—	4,000,000
Carrying value of property, plant and equipment disposals	100,124	108,376
Decrease in noncurrent receivables and other items, net	—	868,731
Total funds provided	$ 7,029,270	9,391,865
Funds used:		
Additions to property, plant and equipment	$ 2,222,295	2,344,815
Purchases of businesses, excluding net current assets:		
Property, plant and equipment	—	1,897,002
Other, net	—	(284,737)
Total	—	1,612,265
Decrease in long-term debt	580,407	580,636
Dividends on common shares	2,060,000	678,000
Other, net	223,703	—
Increase in working capital	1,942,865	4,176,149
Total funds used	$ 7,029,270	9,391,865
Increase (decrease) in working capital:		
Cash	$ (1,043,497)	1,020,947
Accounts and notes receivable	5,773,329	(1,715,251)
Inventories	8,735,034	4,764,861
Other current assets	101,060	(102,188)
Notes payable	(5,946,660)	2,096,074
Current portion of long-term debt	1,073	(388,088)
Accounts payable and accrued expenses	(5,423,962)	(2,016,872)
Income taxes	(852,209)	(425,912)
Due to parent company	752,629	942,578
Due to affiliated company	(153,932)	—
Increase in working capital	1,942,865	4,176,149
Working capital at beginning of year	23,420,408	19,244,259
Working capital at end of year	$ 25,363,273	23,420,408

See accompanying statement of accounting policies and notes to consolidated financial statements.

Statement of Accounting Policies

February 28, 1974

Basis of Statement Presentation:

The accompanying consolidated financial statements include the accounts of Robin Hood Multifoods Limited and all of its subsidiaries. Inter-company accounts and transactions have been eliminated in consolidation. Robin Hood Multifoods Limited is a wholly-owned subsidiary of International Multifoods Corporation.

Receivables:

The Company provides allowances for doubtful receivables equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables.

Inventory Valuation:

Inventories are valued at lower of cost (first-in, first-out) and net realizable value.

Depreciation Methods:

The Company generally utilizes the straight-line method of computing depreciation over the estimated useful lives of the property, plant and equipment. For income tax purposes depreciation has been claimed at maximum rates allowed by the taxation authorities.

Intangibles:

Intangibles primarily represent costs in excess of net tangible asset values of businesses acquired. Except for minor amounts being amortized over ten year periods, excess costs arising prior to November 1, 1970 are being carried until such time as there may be evidence of diminution of value or the term of existence of such value becomes limited. Excess costs arising since November 1, 1970 are amortized over not more than a forty year period.

Income Taxes:

The income tax effect of transactions is recognized in the year in which they enter into the determination of income regardless of when they are recognized for tax purposes. Accordingly, income tax expense includes charges and credits for deferred income taxes and the accumulated deferred taxes are shown in the accompanying consolidated balance sheet.

Notes to Consolidated Financial Statements

February 28, 1974

(1) **Long-term debt:**

Long-term debt, less $569,907 due in 1975 included in current liabilities, is summarized as follows:

	1974	1973
Bank note repayable $400,000 annually 1976-1983, with interest at 1% over minimum commercial lending rate	**$3,200,000**	3,600,000
Other, including $1,069,000 secured (1973, $1,211,000.) . . .	**1,401,218**	1,581,625
	$4,601,218	5,181,625

(2) **Commitments and contingencies:**

At February 28, 1974 the Company was committed under non-cancellable leases, principally for the use of plant, office space and equipment which require minimum rentals as follows: $507,000, 1975; $472,000, 1976; $429,000, 1977; $369,000, 1978; $336,000, 1979; an aggregate of $1,549,000, 1980 through 1984; $1,190,000, 1985 through 1989; $20,000, 1990 through 1994. Total rent expense for fiscal year 1974, including rentals under cancellable leases for office equipment and other property, amounted to $1,252,000.

At February 28, 1974 estimated costs to complete improvements in progress aggregated approximately $521,000.

At February 28, 1974 the Company was contingently liable for an amount of $260,608, received in respect of financial assistance provided in constructing and equipping a plant, which has been applied in the accounts as a reduction of the cost of the plant and its facilities.

At February 28, 1974 a subsidiary was contingently liable to repurchase notes receivable sold with recourse in the amount of approximately $808,000.

(3) **Pension and retirement plans:**

The Company and its subsidiaries have trusteed contributory retirement pension plans which cover substantially all employees. During fiscal year 1974, the principal plan was amended to provide for improved benefits to employees. The past service liability of $1,218,859 at December 31, 1973 is being funded over sixteen years to 1989 with cost amortized on a twenty-one year period to 1995. The total pension expense for fiscal years 1974 and 1973 was $349,528 and $159,508 respectively. The actuarially computed value of vested benefits for the retirement plan exceeded the total of the pension fund assets as of December 31, 1973 by approximately $448,000.

(4) **Information re directors and officers:**

There were five directors during the year (seven in 1973) and their aggregate remuneration as directors was nil. There were seven officers (ten in 1973) and their aggregate remuneration for the year as officers amounted to $264,700 ($232,863 in 1973). There were five officers (three in 1973) who were also directors.

We've got salads all bottled up.

You don't prepare them, toss them or dress them. You just dish them onto the dinner plate and enjoy them. Bick's bottled salads—two perfect complements to any meal.

A fresh idea from BICK'S

To introduce Bick's salads, this ad appeared in the Homemakers' Digest, August, 1973.